CPD S.A.



QUARTERLY REPORT FOR I QUARTER OF 2016

CPD S.A.

QUATERLY REPORT FOR 1st QUARTER 2016

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the 1Q 2016 report of CPD S.A. published on 12 May 2016.

In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland. The accompanying translated financial statements have not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than in Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable.

In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

CONTENTS

I. OPERATING REPORT

1. INFORMATION OF CPD CAPITAL GROUP

CPD Group started its activities in Poland in 1999 from the foundation of Celtic Asset Management Sp. z o.o. In subsequent years, 1999-2005, the activities of the company focused on building and managing a real estate portfolio for external institutions in Poland, Czech Republic, Lithuania, Romania, Hungary and Germany. In 2005, Celtic Asset Management Sp. z o.o started development activity in cooperation with several funds managed by Laxey Partners. In 2007, the consolidation of the group under the name Celtic Property Developments SA (BVI) was performed and in 2008 the listing of the company Celtic Property Developments SA (BVI) began on a deregulated market (Freiverkehr) in Frankfurt. In the period from 2005 to 2010, the Company operated and managed projects mainly in Poland. In the same time, the Group has conducted and managed projects also in Montenegro, Hungary, Italy, Belgium, the United Kingdom, the Netherlands, Germany and Spain. International experience and practical knowledge of experts and project managers of Celtic Group contributed to the creation of a strong and stable capital group, which debuted on the Warsaw Stock Exchange on 23 December 2010. 17th of September the Company has changed the name for CPD S.A.

Today, CPD S.A. is the holding company controlling a group of 37 subsidiaries, focusing on activities in the office and residential segments. Current Group's plans focus on the residential development, mainly through the implementation of its leading project in the Warsaw's district of Ursus.

2. CAPITAL GROUP'S STRUCTURE

As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 37 subsidiaries. Development activities of the Group are conducted via investment companies, direct subsidiaries of Buffy No1 Holdings Ltd (Cyprus) and Lakia Enterprises Ltd (Cyprus). Dominant entity - CPD S.A. - coordinates and supervises the activities of subsidiaries and at the same time is the decision making centre with regard to the strategic planning. CPD S.A. performs actions aiming at optimising the operating costs of the whole Group, designs investment and marketing policies and serves as the coordinator of this activity.

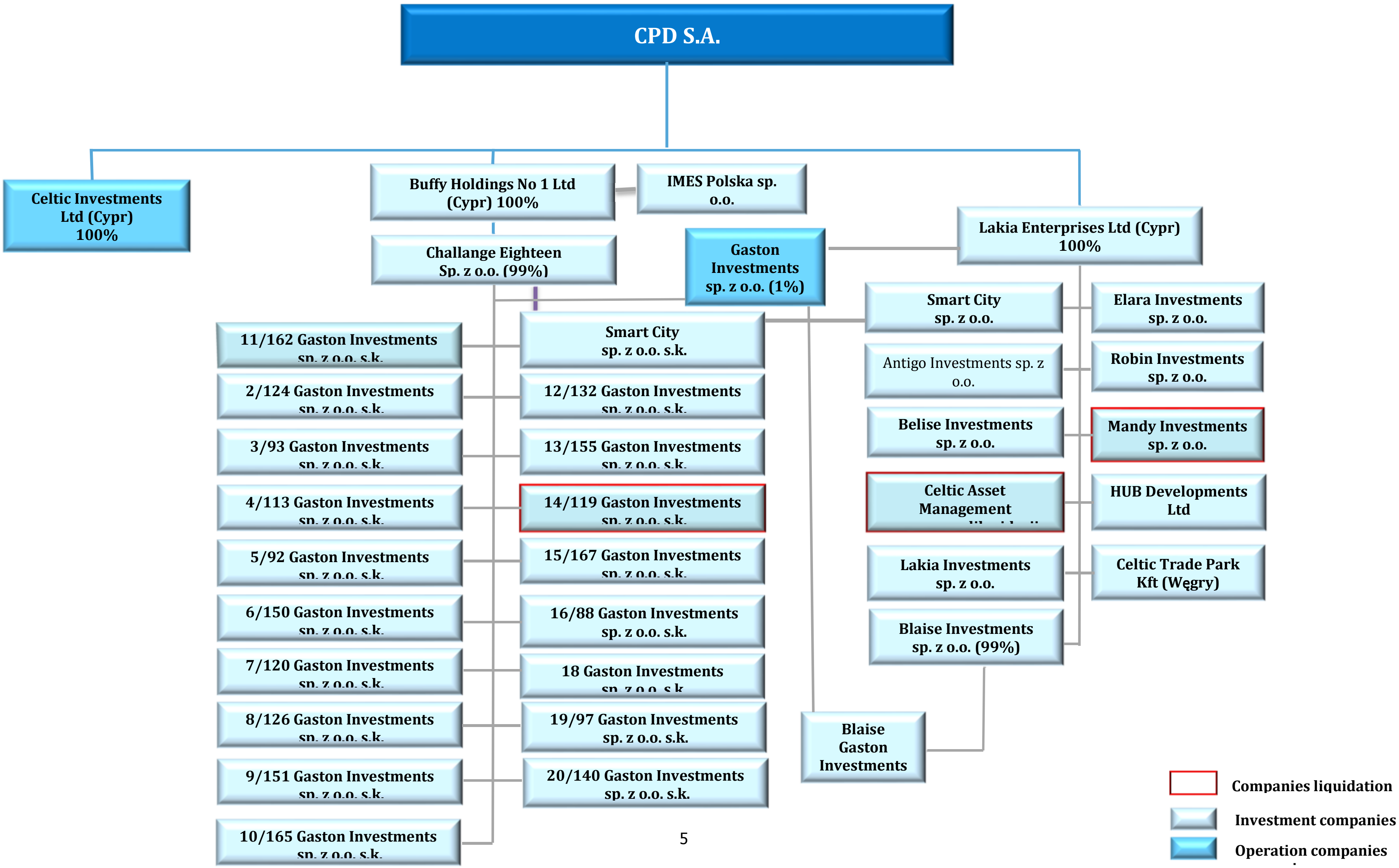
During the reporting period, the following changes occurred in the CPD Group structure:

At the date of report publication, the following changes in CPD Group's structure took place:

- The process of liquidation of Celtic Asset Management Sp. o.o. was repealed by 27 April 2016
- The process of liquidation of 14/119 Gaston Investments Limited Liability Company sp. k. was repealed 19 April 2016

All Group companies are consolidated by the full method, apart the company Smart City limited liability limited partnership. Due to the fact that the investment agreement concerns a part of property held by Smart City Sp. z o. o. Sp. k., and the remaining part of the property to remain under the complete control of the Group - until the disposal of the Group's management decided to extract all assets, liabilities and equity of the entity which is a joint venture and recognition as a separate entity, in accordance with IFRS 10.

CPD Group's structure as on 31 March 2016.



3. SELECTED FINANCIAL DATA

Selected items of the consolidated statement of comprehensive income

	3 months period		
	From 01.01.2016 to 31.03.2016 (EUR ths.)	From 01.01.2015 to 31.03.2015 (EUR ths.)	Change (%)
Revenue	4 726	4 672	*1,2%*
Cost of sales	-574	-556	*3,2%*
Gross profit	**4 152**	**4 116**	***0,9%***
Administrative expenses - property related	*-2 155*	*-3 335*	*-35,4%*
Other administrative expenses	*-1 679*	*-2 821*	*-40,5%*
Selling and marketing costs	*-107*	*-56*	*91,1%*
Gain (loss) on disposal of investment properties	*0*	*0*	*0,0%*
Other income	*14*	*2 582*	*-99,5%*
Gain (loss) on revaluation of investment properties	*193*	*-8 901*	*-102,2%*
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	*446*	*0*	-
Profit from operations	**864**	**-8 415**	***-110,3%***
Finance income	2 999	39 109	*-92,3%*
Finance costs	-5 639	-3 665	*53,9%*
Profit before tax	**-1 776**	**27 029**	***-106,6%***
Income tax	-326	1 687	*-119,3%*
Profit for the period	**-2 102**	**28 716**	***-107,3%***

Earnings per share (PLN)	-0,06	0,87	*-107,3%*
Diluted earnings per share (PLN)	-0,05	0,76	*-106,3%*

In the first quarter of 2016 Group CPD SA recorded a gain on the sale of 4.2 million PLN. Profit on sales increased slightly (1% increase) compared with the previous year. Note the significant improvement in the operating result. Group CPD SA posted an operating profit in the amount of PLN 0.9 million compared with an operating loss of PLN 8.4 milion in the same quarter of 2015. However, after taking into account the financial segment profit or loss and income tax total net profit ended with a loss of 2,1 million PLN.

Among the factors that had a positive impact on the Group's results in the first quarter of 2016 compared to the first quarter of 2015, the main role was played by a positive result of revaluation of investment property in the amount of 0.2 million PLN (compared to a negative result of 8.9 million PLN in the first quarter of 2015), the decline in property maintenance costs by PLN 1.2 million and a decrease in other administrative expenses of 1.1 million PLN.

On the other hand, the main negative factor for the net results in the first quarter of 2016 compared to the first quarter of 2015 was the increase in financial expenses by PLN 2 million.

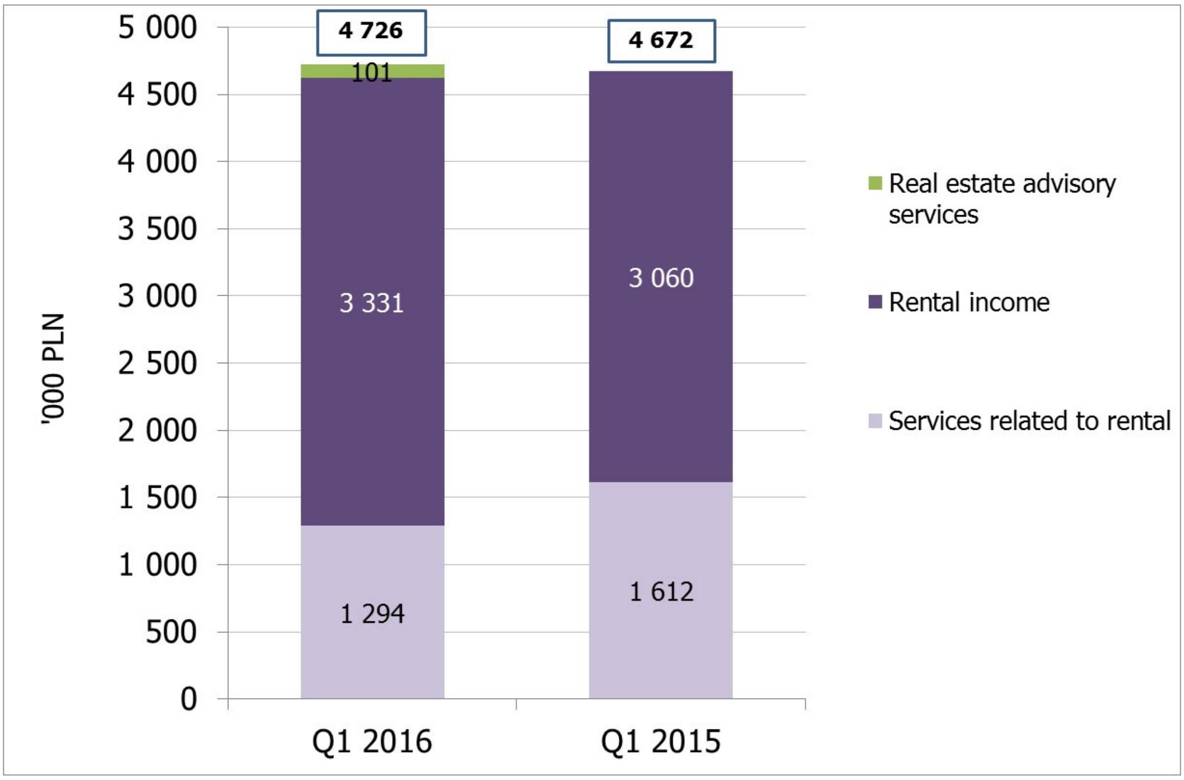
Sales revenues in the first quarter of 2016 amounted to € 4.7 million PLN. The largest, 70 percent share of this amount accounted for rental income. With respect to the value for the first quarter rental income amounted to PLN 3.3 milion to PLN 3.1 million in 2015. Rental income were generated for 3 office buildings in Warsaw - building Aquarius 31A Połczyńska Street, building Solar 7B Cybernetyki Street and the Iris building of 9 Cybernetyki Street. The increase is the result of gradual increase in the level of lease in the building Iris.

In the first quarter of 2016, the Group provided consultancy services in real estate. These revenues amounted to 0.1 million PLN.

The increase in revenues from the sale of 0.05 million in connection with a slight increase in cost of sales contributed to a small increase in profit on sales (up 1%).

In the first quarter of 2016 the Group has not recorded any income from the sale of stocks.

The chart below shows the structure of revenues from sales in the first quarter of 2016 and 2015.



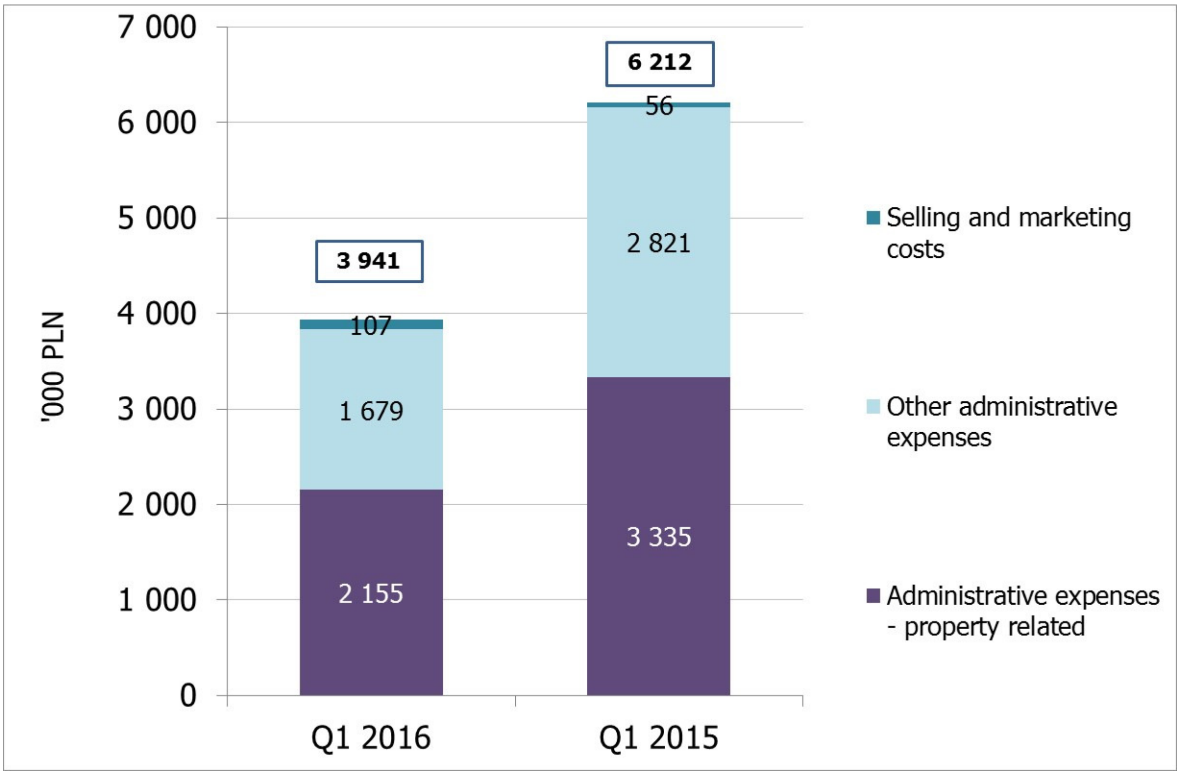
In the first quarter of 2016 the Group recognized a small positive result of revaluation of investment property in the amount of 0.2 million PLN. This fact had a positive effect on the final result of the net.

Also decrease administrative costs played a positive role in shaping the Group's performance.

Administrative expenses decreased by 2.3 million PLN. This was due to a decrease in the cost of property maintenance, property taxes, perpetual usufruct and advisory services.

The negative impact on the final amount of the net profit of the Group had while an increase in financial expenses in the amount of PLN 2 million, related among other things, the conclusion of IRS transactions with Bank BZ WBK and negative valuation of the derivative.

The chart below shows the structure of the Group's operating expenses in the first quarter of 2016 and 2015.



Selected items of the consolidated statement of financial position

	As at: 31.03.2016 (PLN ths.)	31.12.2015 (PLN ths.)	Change (%)
TOTAL ASSETS	**710 913**	**711 477**	***-0,1%***
Non-current assets, including:	**667 670**	**667 182**	***0,1%***
Investment properties	*651 308*	*651 094*	*0,0%*
Investments in joint ventures accounted for using the equity method	*14 942*	*14 512*	*3,0%*
Current assets, including:	**43 243**	**44 295**	***-2,4%***
Inventory	*5 292*	*5 296*	*-0,1%*
Trade and other receivables	*12 115*	*9 256*	*30,9%*
Cash and cash equivalents	*22 134*	*26 073*	*-15,1%*
TOTAL EQUITY AND LIABILITIES	**710 913**	**711 477**	***-0,1%***
Equity, including:	**448 757**	**450 831**	***-0,5%***
Share capital	*3 286*	*3 286*	*0,0%*
Reserve capital	*987*	*987*	*0,0%*
Fair value of capital element at inception date	*-27 909*	*-27 909*	*0,0%*
Translation reserve	*-5 283*	*-5 311*	*-0,5%*
Retained earnings	*477 676*	*479 778*	*-0,4%*
Total liabilities, including:	**262 156**	**260 646**	***0,6%***
Non-current liabilities	*237 321*	*235 126*	*0,9%*
Current liabilities	*24 835*	*25 520*	*-2,7%*

At the end of March 2016 value of total assets of the Group has not changed compared to the end of 2015. The value of investment property increased slightly (0.2 million PLN). The value of assets decreased slightly due to a decrease trace cash.

At the end of March 2016 value of the equity amounted to 448.8 million PLN, which accounted for 63.1% of the total assets of the Group, while liabilities accounted for 36.9% of total assets. These indicators have changed slightly compared to the end of 2015 (respectively 63.4% and 36.6%).

In the first quarter of 2016 it increased slightly the value of liabilities. This was mainly due to the recognition of liabilities arising from the transaction IRS with Bank BZ WBK.

The following table shows the share of individual categories of liabilities in the balance sheet total.

	31.03.2016	31.12.2015
Liabilities to total assets	**36,9%**	**36,6%**
Non-current liabilities to total assets	**33,4%**	**33,0%**
Borrowings including finance leases	20,6%	20,3%
Bonds	8,0%	7,9%
Embedded derivative	1,6%	1,6%
Deferred income tax liabilities	3,0%	2,9%
Trade and other payables	0,3%	0,3%
Current liabilities to total assets	**3,5%**	**3,6%**
Borrowings including finance leases	0,7%	1,1%
Trade and other payables	2,7%	2,3%
Bonds	0,1%	0,2%

The structure of liabilities slightly changed. The share of long-term debt to total assets increased from 33% at the end of December 2015 to 33.4% at the end of March 2016. The share of short-term debt fell while from 3.6% as at 31 December 2015 3.5% on 31 March 2016.

4. IMPORTANT EVENTS IN THE REPORTING PERIOD

- **IRIS PROJECT AT CYBERNETYKI 9 STREET IN WARSAW – COMMERCIAL LEASE**

Iris is a six-storey building office building with a total leasable area of approx. 14,3 thous. m2 with 233 parking places and is the final stage of the project office and residential located at the intersection of Cybernetyki and Progress in Warsaw. At the date of this report are still under active efforts to commercialize 100% of the building. On 31 March 2016, approx. 94 % leased. Issues are currently being finalized documentation to make the conversion of the construction loan granted by BZ WBK the investment credit granted by the bank.

- **COMMERCIAL LEASE OF THE SOLAR BUILDING AT CYBERNETYKI 7B STREET IN WARSAW**

The eight storey B+ class office building of 5,792 sqm of was built in 1998 and refurbished by the Group in 2008. The building is currently leased to such companies as Beko S.A., Berlin Chemie, Akzo Nobel, ZPUE S.A.. On 31 March 2016, the building was leased in approx. 80 %.

- **COMMERCIAL LEASE OF THE AQUARIUS BUILDING AT POŁCZYŃSKA 31A STREET IN WARSAW**

The Aquarius Office Park consists of a five storey B class office building of 5,211 sqm, an investment site with a valid building permit for the construction of an A class office building of ca 2,500 sqm as well as an investment site of approx. 10,000 sqm intended for the construction of an office and warehouse complex. The office building is currently leased to such companies as VB Leasing, Betacom S.A., Fly Away Travel. On 31 March 2016, the building was leased in approx. 89 %.

- **ANNEX TO THE AGREEMENT ON THE CONSTRUCTION WORKS**

On 21 of March 2016, the company Smart City limited liability limited partnership signed an annex to the agreement on the construction works as a general contractor with UNIBEP SA. Under the annex, Smart City commissioned UNIBEP SA implementation of the second stage of construction of a housing estate under the name of URSA - Smart City at Hennela street in Warsaw - Ursus district.

As a part of the investment will be built four residential buildings with underground garages. These buildings with a height of 7 floors above ground, there will be 357 apartments and 20 commercial units.

Deadline for completion of the second stage has been specified for the second quarter of 2017.

- **CHOICE OF AUDITOR**

On 31 of March 2016 the Supervisory Board adopted a resolution on the election of PricewaterhouseCoopers Sp. o.o. with its registered office in Warsaw, 14 Armii Ludowej, entered the list of entities authorized to audit financial statements under number 144, on the auditor authorized to:

- examine the consolidated financial statements of CPD SA for the financial year ended December 31, 2016

- examine the stand-alone financial statements of CPD SA for the financial year ended December 31, 2016
- review of the interim consolidated financial statements of CPD SA on June 30, 2016
- review of the interim financial statements CPD SA on June 30, 2016.

The agreement with PricewaterhouseCoopers Sp. o.o. will be concluded for the period necessary to carry out the work indicated therein.

5. FACTORS AND EVENTS OF UNUSUAL NATURE

In the reporting period there were no factors or events of unusual nature.

6. SEASONALITY AND PERIODICITY OF THE GROUP ACTIVITIES

The CPD's Group activities are not subject to seasonality or periodicity.

7. WRITE-DOWNS OF INVENTORIES TO FAIR VALUES

When determining the recoverable amount of inventory management considers property valuation prepared by independent experts as of 31.12.2015, taking into account possible changes in the value dictated by changes in the real estate market. In the first quarter of 2016 state of write-downs on inventories did not change.

8. WRITE-DOWNS OF INVESTMENT PROPERTIES TO FAIR VALUES

In the first quarter of 2016 Group recorded a positive result of revaluation of investment property to fair value in the amount of PLN 0.2 million PLN. In the corresponding period of 2015 years negative Group result from the revaluation of investment property to fair value amounted to PLN 8,9 million PLN.

9. CREATION, INCREASE, UTILISATION AND REVERSEAL OF PROVISIONS

In the first quarter of 2016 value accrued expenses increased by 0.5 million PLN. This increase resulted primarily from an increase in the provision for potential tax risks.

10. PROVISIONS AND DEFFERED TAX ASSETS

In respect to deferred tax assets, the recoverable amount is determined based on the probability of assets in the future, taking into account the business plans of individual companies included in consolidation. This value is determined based on management's estimates. As at 31 March 2016 Group disclosed in the balance sheet deferred tax assets in the amount of 0.5 million PLN.

As at 31 March 2016. Group liabilities due to deferred income tax amounted to 21.1 million PLN. The value of these liabilities increased in the quarter by 0.2 million PLN.

11. ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT

During the reporting period the Group did not make any significant acquisition or disposal of property, plant or equipment.

12. IMPORTANT COMMITMENTS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Not occurred.

13. IMPORTANT SETTLEMENTS OF LAWSUITS

Not occurred.

14. PREVIOUS PERIODS ERRORS' CORRECTION

Not occurred.

15. CHANGES IN THE ECONOMIC SITUATION AND BUSINESS CONDITIONS AFFECTING THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES OF THE COMPANY

During the first quarter of 2016, no changes occurred in the economic situation which could affect the fair value of the Group's assets and liabilities.

16. DEFAULTS ON THE LOAN OR CREDIT OR THE LOAN OR CREDIT AGREEMENT INFRINGEMENT FOR WHICH ANY REMEDIAL ACTION HAVE BEEN TAKEN TO THE END OF THE REPORTING PERIOD

Not occurred.

17. TRANSACTIONS WITH RELATED PARTIES CONCLUDED ON OTHER THAN MARKET CONDITIONS

During the reporting period, the Company did not concluded transactions with related parties on terms other than the market.

18. INFORMATION ON THE CHANGES IN THE APPROACH USED TO DETERMINE THE FAIR VALUE OF FINANCIAL INSTRUMENTS

During the reporting period the Group did not make any changes in the approach used to determine the fair value of financial instruments.

19. CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS

During the reporting period the Group did not make any changes in the classification of financial assets.

20. ISSUANCE, REDEMPTION AND REPAYMENT OF NON-STOCK AND EQUITY SECURITIES

Not occurred.

21. INFORMATION RELATED TO DIVIDEND

In the reporting period the Company did not pay or declare dividend.

22. EVENTS AFTER THE DATE OF PREPARATION OF FINANCIAL STATEMENTS

- **REPEAL THE LIQUIDATION OF THE SUBSIDIARY**

Extraordinary General Meeting of Celtic Asset Management, a limited liability company in liquidation (subsidiary of the Company) with its seat in Warsaw (address: 02-677 Warszawa, 7B Cybernetyki Street,

KRS 0000246186, REGON 140328249, NIP 5272491753), 27 April 2016 adopted resolution on the repeal of liquidation and continued existence of the Celtic Asset Management sp. z oo

- **REPEAL THE LIQUIDATION OF THE SUBSIDIARY**

Partners 14/119 Gaston Investments Limited Liability Company sp. k. (A subsidiary of the Company) with its seat in Warsaw (address: 02-677 Warszawa, 7B Cybernetyki Street, KRS 0000352125, REGON 142352826, NIP 5252476472), April 19, 2016 year adopted a resolution on the repeal of liquidation and continued existence 14/119 Gaston Investments limited liability company sp. k.

23. CHANGES RELATED TO CONDITIONAL LIABILITIES OR ASSETS

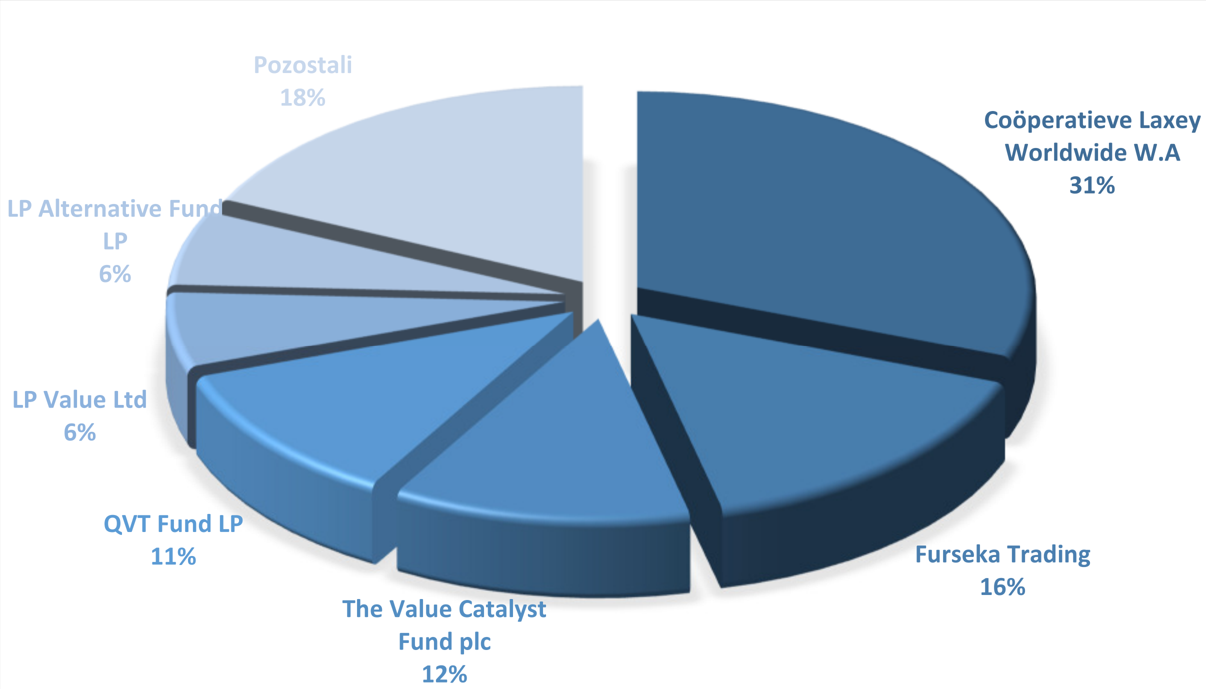
During the reporting period the Group did not make any material changes related to conditional liabilities or assets.

24. THE MANAGEMENT BOARD'S POSITION ON THE PREVIOUSLY PUBLISHED FINANCIAL FORECASTS

Neither CPD Group nor its dominant entity – CPD S.A. – published any forecasts of financial results.

25. SHAREHOLDERS ENTITLED TO AT LEAST 5% OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS

Shareholding structure of CPD S.A.



According to the Company's information, shareholders who own, either directly or indirectly through subsidiaries at least 5 % of the total voting power at the General Meeting of Shareholders (number of shares on the basis of notices of shareholders pursuant to art. 69 of the Act on Public Offering or the information contained in the prospectus).

Shareholder	Amount of shares	Type of shares	Amount of votes	As % of total numer of shares	As % of total numer of votes
Coöperatieve Laxey Worldwide W.A	10 082 930	Na okaziciela	10 082 930	30.68 %	30.68 %
Furseka Trading	5 137 222	Na okaziciela	5 137 222	15.63 %	15.63 %
The Value Catalyst Fund plc	3 975 449	Na okaziciela	3 975 449	12.10 %	12.10 %
QVT Fund LP	3 701 131	Na okaziciela	3 701 131	11.26 %	11.26 %
LP Value Ltd	2 005 763	Na okaziciela	2 005 763	6.10 %	6.10 %
LP Alternative Fund LP	2 003 981	Na okaziciela	2 003 981	6.10 %	6.10 %
Pozostali	5 956 727	Na okaziciela	5 956 727	18.13 %	18.13 %

26. THE COMPANY'S SHARES HELD BY THE MANAGING AND SUPERVISING PARTIES

The table below presents the Company's shares held by the members of the Management Board performing functions in the Company's Management Board as at the date of this report, according to the Company's information:

Name	Function	No. of shares	Nominal value of shares (PLN)	As % of total no. of shares	As % of total no. of votes
Elżbieta Wiczkowska	President	42 498	4250	0,13%	0,13%
Iwona Makarewicz	Member	4 734	473	0,01%	0,01%
TOTAL		**47 232**	**4 723**	**0,14%**	**0,14%**

The Company has no information regarding the fact of ownership of shares by other persons included in the management or supervisory boards.

27. COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS FOR A VALUE HIGHER THAN 10% OF THE COMPANY'S EQUITY

As at the date of this report, neither CPD S.A. nor any of its subsidiaries was a party to proceedings pending at courts, bodies competent for arbitration proceedings or a public administration body, the total value of which would exceed 10% of equities of CPD S.A.

28. MAJOR LOAN AGREEMENTS, LOAN WARRANTIES AND GUARANTEES GRANTED

As of 31 March 2016 CPD Group in the consolidated financial statements shows the following liabilities arising from bank loans:

- Liabilities to the bank mBank Hipoteczny SA in the amount of PLN 41 948 thousand (of which 1 676 thousand PLN presented as part of short-term and 40 273 thousand PLN presented as part of the long-term);

- Liabilities to Bank Zachodni WBK SA in the amount of PLN 76 581 thousand (of which 3 270 thousand PLN presented as a current liability and 73 311 thousand PLN presented as long-term liabilities).

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Hipoteczny. The loan above was granted to refinance a loan with HSBC Bank Poland in 2006, which was used to finance the investment office located at Cybernetyki 7b and Połczyńska 31a. Credit in mBank Hipoteczny was launched on 1 July 2014. Involvement Lakia Investments amounted to 5,534,033.24 EUR balance sheet date, and Robin Investments 4,285,405.14 EUR. According to the applicable terms and conditions of the loan agreement with mBank Hipoteczny, these companies are obliged to repay the entire loan until 20 June 2029.

The loan agreement with BZ WBK was annexed in May 2015. BZ WBK has converted the construction loan into an investment loan. The agreement provides that the subsidiary Belise Investments is obliged to repay the entire investment loan until the end of May 2021.

29. THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

At 31 March 2016, the composition of the Supervisory Board of the Company was as follows:

- Mr. Wiesław Oleś - Supervisory Board member not meeting the requirements of independent member of the Supervisory Board
- Mr. Andrew Pegge - Supervisory Board member not meeting the requirements of independent member of the Supervisory Board
- Mr. Mirosław Gronicki - Supervisory Board member meeting the requirements of independent member of the Supervisory Board
- Mr. Michael Haxbey - Supervisory Board member not meeting the requirements of independent member of the Supervisory Board
- Ms. Gabriela Gryger - Supervisory Board member meeting the requirements of independent member of the Supervisory Board

At 31 March 2016, the composition of the Management Board of the Company was as follows:

- Mrs. Elżbieta Wiczkowska – President of the Management Board;
- Mrs. Iwona Makarewicz – Member of the Management Board
- Mr. Colin Kingsnorth – Member of the Management Board
- Mr. John Purcell - Member of the Management Board

30. OTHER IMPORTANT INFORMATION

No other except those mentioned above.

31. FACTORS AFFECTING RESULTS OF THE FOLLOWING QUARTERS

The most important factors which will affect results of the following quarters are:

- The situation on the financial markets which may affect the valuation of properties in the portfolio of the Group.
- Start and conducting construction works in the project Smart City Ursus;
- Commercialisation of the project IRIS;
- The economic trend in the housing market, which the Company operates,
- The state of global financial markets and their impact on the Polish economy and national banking system,
- Availability of mortgages, and in particular their attractiveness to potential customers,

- Timely, compliant with schedules, completion of the first phase of the project Smart City Ursus
- The availability of external financing (loans, bonds) for real estate development entities,
- Changes in the legal and tax regulations that may influence in an uncontrollable manner the market demand for products offered by the Company;
- Maintaining a stable political situation and creating a positive economic climate by the government and local authorities,
- The economic situation affecting the receiving regular income from the rental of offices,
- Selling expenses and general and administrative
- Quarterly revaluation at fair value of the Group's properties,
- Valuation of liabilities arising from bonds.

II. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD OF 3 MONTHS ENDED 31 MARCH 2016 ALONG WITH CONDENSED FINANCIAL STATEMENTS OF CPD S.A.

CPD S.A.

Condensed interim consolidated financial statements

for the period of 3 months ended 31 March 2016

prepared in accordance with the International Financial Reporting Standards

(unaudited financial data)

CPD S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2016

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of comprehensive income

	Note	For the 3 month period ended 31/03/2016	31/03/2015
		(unaudited)	*(unaudited)*
Revenues	14	4 726	4 672
Cost of sales	15	(574)	(556)
PROFIT ON SALES		**4 152**	**4 116**
Administrative costs property related	16	(2 155)	(3 335)
Administrative expenses-other	17	(1 679)	(2 821)
Selling and marketing expenses		(107)	(56)
Other income	18	14	2 582
Net gain/(loss) from fair value adjustments on investment properties	4	193	(8 901)
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	8	446	0
OPERATING RESULT		**864**	**(8 415)**
Financial income	19	2 999	39 109
Financial costs	19	(5 639)	(3 665)
PROFIT (LOSS) BEFORE INCOME TAX		**(1 776)**	**27 029**
Income tax		(326)	(1 687)
PROFIT (LOSS) FOR THE PERIOD		**(2 102)**	**25 342**
Currency translation adjustment		28	468
TOTAL COMPREHENSIVE INCOME		**(2 074)**	**25 810**
Profit attributable to:			
Equity holders of the Group		**(2 102)**	**25 342**
Total comprehensive income attributable to:			
Equity holders of the Group		**(2 074)**	**25 810**
Total comprehensive income for the period attributable to owners of the Group arises from:			
Continuing operations		(2 074)	25 810
Discontinued operations		0	0
BASIC EARNINGS PER SHARE (PLN)	24	-0,06	0,87
DILUTED EARNINGS PER SHARE (PLN)		-0,05	0,76

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position

	Note	31/03/2016 *(unaudited)*	31/12/2015
ASSETS			
Non-current assets			
Investment properties	4	651 308	651 094
Property, plant and equipment		909	964
Intangible assets, excluding goodwill		53	60
Investments in joint ventures accounted for using the equity method	8	14 942	14 512
Deferred tax assets	13	458	552
Non-current assets		**667 670**	**667 182**
Current assets			
Inventories	6	5 292	5 296
Trade receivables and other receivables, including:	5	12 115	9 256
- receivables and loans		*3 710*	*3 988*
- prepayments		*8 405*	*5 268*
Bonds		3 702	3 670
Cash and cash equivalents	7	22 134	26 073
Current assets		**43 243**	**44 295**
Total assets		**710 913**	**711 477**

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position - cont.

	Note	31/03/2016	31/12/2015
		(unaudited)	
EQUITY			
Equity attributable to owners of the parent company			
Share capital	9	3 286	3 286
Other reserves		987	987
Embedded element at inception date	12	(27 909)	(27 909)
Translation reserve		(5 283)	(5 311)
Retained earnings		477 676	479 778
Total equity		**448 757**	**450 831**
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities	10	2 044	2 070
Borrowings, including financial leasing	11	146 375	144 474
Bonds issued	12	56 695	56 041
Derevatives	12	11 069	11 635
Deferred tax liabilities	13	21 138	20 906
		237 321	**235 126**
Current liabilities			
Trade payables and other liabilities	10	18 997	16 712
Bonds issued	12	584	1 279
Borrowings, including financial leasing	11	5 254	7 529
		24 835	**25 520**
Total liabilities		**262 156**	**260 646**
Total Equity and liabilities		**710 913**	**711 477**

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of changes in equity

	Share capital CPD S.A.	Embedded element at inception date	Translation reserve	Reserve capital	Retained earnings	Total
Balance as at 01/01/2015	**3 286**	**(27 909)**	**(5 301)**	**987**	**433 430**	**404 493**
Comprehensive income						
Currency translation adjustment	0		468	0	0	468
Profit (loss) for the period	0		0	0	28 716	28 716
	0		468	0	28 716	29 184
Balance as at 31/03/2015 /unaudited	**3 286**	**(27 909)**	**(4 833)**	**987**	**462 146**	**433 677**
Balance as at 01/01/2015	**3 286**	**(27 909)**	**(5 301)**	**987**	**433 430**	**404 493**
Comprehensive income						
Currency translation adjustment	0		(10)	0	0	(10)
Profit (loss) for the period	0		0	0	46 348	46 348
	0		(10)	0	46 348	46 338
Balance as at 31/12/2015	**3 286**	**(27 909)**	**(5 311)**	**987**	**479 778**	**450 831**
Balance as at 01/01/2016	**3 286**	**(27 909)**	**(5 311)**	**987**	**479 778**	**450 831**
Comprehensive income						
Currency translation adjustment	0	0	28	0	0	28
Profit (loss) for the period	0	0	0	0	(2 102)	(2 102)
	0	0	28	0	(2 102)	(2 074)
Balance as at 31/03/2016 /unaudited	**3 286**	**(27 909)**	**(5 283)**	**987**	**477 676**	**448 757**

The Group does not have any minority shareholders. All the equity is attributable to the shareholders of the parent company.

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(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of cash flows

	Note	For the 3 month period ended	
		31/03/2016	31/03/2015
		(unaudited)	*(unaudited)*
Cash flow from operating activities			
Cash generated from operations	21	(970)	34 492
Interest paid		(2 107)	(352)
Net cash generated from investing activities		**(3 077)**	**34 140**
Cash flows from investing activities			
Purchases of subsidiaries		0	(56 150)
Capital expenditure on investment properties		(65)	(2 315)
Interest received		0	31
Purchase of property, plant and equipment		0	(74)
Net cash used in investing activities		**(65)**	**(58 508)**
Cash flows from financing activities			
Proceeds from borrowings		0	1 532
Repayments of borrowings		(1 106)	0
Proceeds from issue of bonds		0	30 000
Net cash used in financing activities		**(1 106)**	**31 532**
Net (decrease)/increase in cash and cash equivalents		**(3 939)**	**7 164**
Cash and cash equivalents at beginning of year		**26 073**	**18 770**
Cash and cash equivalents at the end of the period	**7**	**22 134**	**25 934**

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Board Member

The notes are an integral part of these condensed interim consolidated financial statements

Notes to the interim condensed consolidated financial statements

1 General information

Celtic Property Developments S.A. ("Company", "CPD") with its registered office in Warsaw (02-677), Cybernetyki 7B str, was established on the basis of statute on 23 February 2007 (as Celtic Development Corporation S.A., then on 22 February 2008 the Company changed its name to Poen S.A.). On 23 March 2007 District Court in Cracow, XI Business Department of the National Court Register entered the Company into the Register of Businesses with the KRS number 0000277147. The Company's shares are quoted on the Warsaw Stock Exchange.

On September 2, 2010 the General Shareholder's Meeting adopted a resolution changing the Company's name from Poen S.A. to Celtic Property Developments S.A.

On May 29, 2014 the Extraordinary General Shareholder's Meeting adopted a resolution changing the Company's name from Celtic Property Developments S.A.. to CPD S.A. The change of name was registered in the National Court Register on September 17, 2014.

The currency of the presentation of consolidated financial statements is Polish Zloty.

Information about the Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 36 subsidiaries and 1 under common control.

2 The accounting principles

Accounting principles are consistent with the principles applied in the annual consolidated financial statements for the year ended 31 December 2015.

2.1 Basis of preparation

These interim condensed consolidated financial statements of the CPD group were prepared in accordance with international accounting standard approved by the EU-IAS 34 Interim financial reporting.

New and amended standards and interpretations which came into force in 2016 and description of the impact of applying the amendments:

Amendments to IAS 19 - Defined benefit plans: Employee contributions

Amendments to IAS 19 - Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 February 2015). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

Amendment of this standard has not affected the financial statements.

Annual Improvements to IFRSs 2010-2012

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards.

The amendments include mainly changes made to presentation, valuation and definitions. The improvements are effective for annnual periods beginning on February 1, 2015.

Amendment of this standard has not affected the financial statements.

IFRS 14 Regulatory Deferral Accounts

The amendment permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

Notes to the interim condensed consolidated financial statements

2.1 Basis of preparation - cont.

IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

Amendment of this standard has not affected the financial statements.

At the date of preparation of these consolidated financial statements, the amendments to IFRS were not yet approved by the European Union.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendment requires that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11.
The Group applies the rules resulting from the standard in these condensed consolidated financial statements.

Amendments to IAS 16 and IAS 38 – Depreciation and Amortisation

The amendment clarifies that the revenue-based method should not be used to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets. This is because a revenue-based method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset.

Amendment of this standard has not affected the financial statements.

Amendments to IAS 16 and IAS 41 for bearer plants

The amendments require that bearer plants, such as grape vines, rubber trees and oil palms (i.e. which yield crops over many years and are not intended for sale as seedlings or for harvest) should be accounted for in accordance with the requirements of IAS 16 “Property, Plant and Equipment” because their cultivation is similar to manufacturing. Consequently, the amendments include such plants within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
The amendments were published on June 30, 2014 and are effective for the annual periods commencing on or after 1 January 2016.

Amendment of this standard has not affected the financial statements.

Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as one of alternative methods.
The amendments were published on 12 August 2014 and are effective for the annual periods commencing on or after 1 January 2016.

The Group applies the rules resulting from the amendments in these condensed consolidated financial statements.

Amendments to IFRS 10 and IAS 28 — Sales or contributions of assets between an investor and its

The amendments address the conflict between the requirements of IFRS 10 and IAS 28. Accounting treatment depends on whether the non-assets sold or contributed to an associate or a joint venture constitute a business.
The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business is recognised in full. The gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business to an associate or joint venture is recognised only to the extent of unrelated investors' interests in the associate or joint venture.
The amendments were published on 11 September 2014 and are effective for the annual periods commencing on or after 1 January 2016.

At the date of preparation of these consolidated financial statements, the amendment was not yet approved by the European Union.

Amendment of this standard has not affected the financial statements.

Notes to the interim condensed consolidated financial statements

2.1 Basis of preparation - cont.

Amendments to IAS 1

On 18 December 2014, as part of Disclosure Initiative, the International Accounting Standards Board published amendments to IAS 1. The amendment is designed to clarify the concept of materiality and explain that if an entity decides that certain information is immaterial, it should not include it in the financial statements, even if its inclusion is as a rule required by another IFRS. The amended IAS 1 clarifies that items presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated depending on their materiality. Also, additional guidance is introduced on presentation of subtotals in these statements. The amendments are effective for annual periods beginning on or after 1 January 2016.

The Group applies the rules resulting from the amendments in these condensed consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception

On 18 December 2014, the International Accounting Standards Board issued narrow-scope amendments. The amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements for investment entities and introduces certain facilitations.

The standard clarifies that an entity should measure at fair value through profit and loss all its subsidiaries that are investment entities. Further, a clarification was introduced that exemption from the obligation to prepare consolidated financial statements applies if the ultimate parent company prepares pubic accounts, regardless of whether or its subsidiaries are consolidated or measured at fair value through profit and loss in accordance with IFRS 10 in the financial statements of the ultimate or intermediate parent. The amendments are effective for annual periods beginning on or after 1 January 2016.

The Group applies the rules resulting from the amendments in these condensed consolidated financial statements.

In these interim condensed consolidated financial statements the Group CPD has decided not to advance the following published standards or interpretations before their date of entry into force:

IFRS 9 "Financial Instruments: Classification and Measurement"

It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after 1 January 2018.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The group is yet to assess IFRS 9's full impact.

Notes to the interim condensed consolidated financial statements

2.1 Basis of preparation - cont.

IFRS 15, 'Revenue from contracts with customers'

The standard was published by the International Accounting Standards Board in May 2014 and is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to EU adoption.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The group is assessing the impact of IFRS 15.

The Group is going to adopt the amendments on 1 January 2018.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

The amendments are effective for annual periods beginning on or after 1 January 2017.
The Group is going to adopt the amendments on 1 January 2017.
At the date of preparation of these consolidated financial statements, the amendments to IFRS were not yet approved by the European Union.

Amendments to IAS 7 Disclosure Initiative

The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The Group is going to adopt the amendments on 1 January 2017.
At the date of preparation of these consolidated financial statements, the amendments to IFRS were not yet approved by the European Union.

2.2 Changes in Group structure

In there reporting period there were no changes in Group structure.

3 Significant changes in major accounting estimates and judgments

In preparing these condensed consolidated financial statements the Board has made an assessment of the significant estimates and judgments, which have an impact on the accounting principles applied and the amounts recognised in the financial statements for a period of 3 months ended March 31, 2016.

Major estimates and judgments are based on past experience and other factors including anticipation of future events that seem reasonable in a given case. Accounting estimates and judgments are assessed on a regular basis.

The Management Board makes estimates and adopts assumptions concerning the future. Accounting estimates so obtained will seldom match actual results by their very nature. Estimates and assumptions involving significant risk of a major adjustment of the carrying value of assets and liabilities during the following financial year being required are discussed below.

Major estimates and judgments adopted for the purpose of preparation of these condensed consolidated financial statements are consistent with the those applied in the annual consolidated financial statements for the period ended December 31, 2015.

Notes to the interim condensed consolidated financial statements

Determination of the fair value of investment property

The fair value of investment class real properties recognized in the balance sheet is calculated based on pricing established annually by Savills Sp. z o.o. - third party experts - as per Practice Statements of the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards (the 'Red Book') published in February 2003 and valid as of 1 May 2003. Pricing fees are not related to the value of the real properties or the outcome of pricing. Bearing in mind the market environment as at the balance sheet date, the Management Board reviewed and approved experts' assumptions underlying the pricing approaches applied.

Non-developed land and land developed with tenement houses were valued using the comparative method (comparison in pairs). The comparative method consists in finding out the value of a real property assuming that such value is equal to prices obtained for similar properties traded in the market. The value of real properties is adjusted according to their differentiating features and stated taking into account volatility of prices in time. The comparative method is used, if prices of real properties similar to the property valued are known.

The land to be developed with houses and shops was valued based on the following assumptions:

- the useful area of apartments to be built amounts to 605,787 sq.m.;
- the useful area of shops to be built on ground floors of the houses amounts to 58,475 sq.m.;
- the useful area of offices to be built amounts to 10,907 sq.m.; the assumed rent for the office space to amount to EUR 10.5 per sq.m. and the capitalization rate to be 8.25%.

The land to be developed with houses and shops was valued using the comparative method (comparison in pairs). The income approach (investment method) was applied to properties generating income. The income approach consists in defining the value of a real property based on the assumption that the buyer will pay the price depending on the anticipated income to be earned on the same real property provided that such price will not exceed that of another property featuring the same profitability and risk that it could buy.

The value of the real properties was calculated based on the average transaction prices of real properties similar to the property valued adjusted by transaction features considered by potential market actors including without limitation situation as well as size and legal status of the land. The valuation reflects diversity of properties and their anticipated use as per provisions of the zoning plan. The price per square meter is the variable affecting the valuation result the most.

The investment method was applied to the real property generating rent income that can be defined based on the analysis of rental or lease market rates in order to determine its market value. When direct capitalization is used, the value of a real property is the quotient of a stable yearly income flow obtainable from the real property valued and the capitalization rate.

Net future operating income were estimated separately for each investment class property based on rental agreements existing as at the balance sheet date, contracted income (or, in the case of IRIS property, partly based on the market conditions for a given property as established by a third party expert) and the expected cost of operation of the properties. Useful areas underlying the calculations are based on construction documents in force. As most rentals concluded by the Group are expressed in EUR, the investment class properties were valued in EUR and values were then translated into PLN using the NBP average rate as at the balance sheet date.
Capitalization rates were estimated by third party experts separately for each major investment class property taking into account situation and type of the property. The capitalization rate is reviewed at least annually by third party property experts and the net operating income is updated based on rentals in force.

Capitalization rates from the range 7.75%-9% were used for the purposes of the valuation assumed in the financial statements as at March 31, 2016.

In the first quarter of 2016, the Group recorded a gain on the revaluation of investment properties to their fair values, which amounted to PLN 193,000, in consequence of the fluctuation of the rates of exchange.

During the period, the methods of valuation of investment properties did not change.

During the period, there were no changes in the levels of valuation of investment properties.

Notes to the interim condensed consolidated financial statements

Accounting recognition of Smart City Sp. z o. o. Sp. k.

In 2014, an investment agreement was signed by CPD S.A. and its subsidiaries (Smart City Spółka z ograniczoną odpowiedzialnością Sp.k., Lakia Enterprises Ltd), of the one part, and entities not associated with the Group, i.e. Unidevelopment S.A. and Unibep S.A., of the other part. The agreement stipulates a joint venture consisting in the construction of a complex of multiple dwelling units with services and related infrastructure at a property belonging to Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.

At the same time, the parties stipulated in the investment agreement that a part of lands (and all related costs and income) belonging to Smart City would be excluded from this joint venture and would remain under the exclusive control of CPD Group. The lands not included in the joint venture include areas which according to the local spatial development plan are destined for the construction of public roads and for educational purposes.

Joint control over Smart City was established on 9 March 2015, when Unidevelopment S.A. – in compliance with the provisions of the investment agreement – entered the limited partnership Smart City Spółka z ograniczoną odpowiedzialnością sp.k. as the limited partner.

In order to settle the above-mentioned transaction in these financial statements, the Management Board of the Company – in conformity with the provisions of IFRS 10 – decided to adopt the following approach regarding the investment in Smart City:

- assets and liabilities under the investment agreement were recognized as the joint venture and were settled in the consolidated financial statements in accordance with the equity method.
- land destined for roads and educational purposes as well as related liabilities (excluded from the investment agreement) were treated as a separate investment controlled in full by CPD Group and were recognized in accordance with the full method in the consolidated financial statements.

The Group decided to adopt this approach due to the fact that, pursuant to the provisions of the investment agreement, it maintained the control over this separated part of the land, which means that all decisions regarding this part of the land will be made by CPD Group, and all future income and costs connected with it will also be attributable to the Group.

Calculation of Fair Value of Embedded Derivatives

The company issued bonds designed for the existing shareholders on 26 September 2014. Financial details of the bonds issued are provided in note 14 (and in the stand-alone FS) to these financial statements. The bonds issued involved an embedded derivative instrument, namely, the option of conversion of the bonds into shares at a fixed rate of PLN 4.38 per share. As the bonds were issued in a currency (EUR) different that the functional currency of the company (PLN), the embedded derivative involved a currency cap , namely, conversion of value of shares received at the conversion date rate not exceeding, however, EUR 1 = PLN 4.1272.

The fair value of the embedded derivative was estimated at level 1 using a combination of two approaches: binomial trees in the share price variation part and the Monte Carlo approach adopted for the purposes of analysis of volatility of exchange rates.

Assumptions underlying the pricing model include:
- adjustment of the issuer credit risk discount curve: 8%;
- volatility of issuer share price: 58,9% based on historic quotations of shares of CPD S.A.;
- fixed bond-to-share conversion rate: PLN 4.38;
- exchange rate cap: EUR 1 = PLN 4.1272;
- opportunity to convert bonds to shares from 26 September 2015 to the day falling 5 days before the maturity date, i.e. 22 September 2017.

During the period, the methods of valuation of embedded derivative instruments did not change.

During the period, there were no changes in the levels of valuation of embedded derivative instruments.

As at March 31, 2016, the value of the liability due to the embedded derivative instrument was PLN 11 million and it constituted the difference between the valuation of bonds in accordance with the fair value model described above and the value of bonds without the embedded derivative instrument determined in accordance with amortized cost by applying the effective interest rate method.

Notes to the interim condensed consolidated financial statements

In February 2016, a subsidiary, Belise Investments Sp. z o.o. concluded transaction conversion interest rates (IRS). Amount of the transaction the IRS corresponds to 80% of the loan balance with BZ WBK S.A. The transaction is accounted for on a monthly basis, based on the rate of EURIBOR 1 m.
IRS transaction is valued by bank BZ WBK in fair value. The result of the valuation is recognised as financial costs and revenues, in the statement of comprehensive income.

Balance sheet valuation of shares in subsidiaries and loans granted to subsidiaries (concerns the individual financial statements)

As at the balance sheet date, the Company analyzed the loss of value of shares in subsidiaries by comparing the book value of shares and their recoverable amount. The recoverable amount constitutes the higher of the two amounts: the fair value of assets less the costs of sale or the use value. In the Company's opinion, no grounds exist to recognize that the use value differs significantly from the fair value as at the balance sheet date. In consequence, the analysis of the loss of the shares' value was based on the fair value.

In the case of shares in Buffy Holdings No 1 Ltd and Lakia Enterprises Ltd, their fair value was estimated based on net assets of these companies, constituting an approximate value of future cash flows available for shareholders related to the shares held by them. The value of these cash flows was estimated, among others, based on the fair value of properties belonging to the subsidiaries.

In the case of shares in Celtic Investments Limited, the operating activity of which was suspended as at March 31, 2016 and which did not have any significant assets, the fair value of these assets was estimated based on the net assets of this company.

At the same time, as at the balance sheet date, the Company analyzed the possibility of recovering receivables due to loans granted to its subsidiaries. The Company impaired the value of loans granted to its subsidiaries if the value of their net assets was negative as at March 31, 2016. In the Company's opinion, due to the negative value of net assets of these subsidiaries, there is a substantial risk that these companies will not be able to pay the loans in full.

Tax settlements/deferred tax and activation of tax losses

In connection with the fact that the companies subject to consolidation reside in various fiscal jurisdictions, which complicates transactions between them and results in ambiguities in the interpretation of the provisions of law, tax settlements, including the determination of the right or obligation to include as well as the way of including separate transactions in the tax bill of individual Group entities, could require extremely thorough consideration. In complicated cases, the decision of the Management Board is based on opinions of specialist tax advisers.

Income tax for interim periods is calculated using the tax rate reflecting the total foreseeable annual profit or loss. The difference between the income tax expenses and the tax rate of 19% results primarily from unrecognized deferred income tax assets due to tax losses and the surplus of positive temporary differences over negative temporary differences in the subsidiaries in which recognizing deferred income tax assets for the full financial year is not planned. As at each balance sheet date, the Management Board analyses the possibility of recovering tax losses based on business plans of individual companies forming part of the Group and tax forecasts for these entities, and based on this, decisions on activating or not tax losses for previous years are made.

3.1 Managing financial risk

Financial risk factors

CPD Group is exposed to the following financial risks in connection with its business activity: market risk (including the risk of changes in exchange rates, risk of the change of goodwill or cash flows in consequence of a change of interest rates), credit risk and liquidity risk.

Risk of changes in interest rates

Notes to the interim condensed consolidated financial statements

The Group's exposure to the risk caused by changes in interest rates relates primarily to the fact that the cash flows are subject to change as a result of changes in market interest rates. The Group partly finances its operations and investment of foreign capital with interest-bearing variable rate. In connection with the current debt level, the Group is exposed to the risk of changes in interest rates in terms of the obligations arising from the issue of debt securities and credit on the nature of the supported products.

Within the Group, only Belise Investments hedges the risk of fluctuations in cash flows resulting from debt incurred based on the reference rate EURIBOR IRS transaction, concluded in the first quarter of 2016.

Other financial risks CPD Group have been presented in the consolidated financial statements for the year ended December 31, 2015.

Liquidity risk

In the first quarter of 2016 there were no significant changes to the level of liquidity risk. The details of the current borrowings were presented the the consolidated financial statements for the year ended December 31, 2015.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

4 Investment properties

	01/01/2016 - 31/03/2016	01/01/2015 - 31/12/2015
At the beginning of the reporting period	**651 094**	**581 386**
Acquisition	0	23 990
Capital expenditure	65	5 927
Disposal of investment property in course of joint venture	0	(16 620)
Transfer of road plots of land in Urus to the municipality of Warsaw	0	(5 818)
Change in Balance of Capitallised Liability (RPU)	(44)	2 847
Net gain/(loss) from fair value adjustments on investment propertie	193	59 382
At the end of the reporting period	**651 308**	**651 094**

5 Trade receivables and other receivables, including:

	31/03/2016	31/12/2015
Trade receivables	1 152	1 292
Receivables from the state	2 487	2 678
Receivables from related parties	70	18
Prepaid expenses	8 405	5 268
Other receivables	1	0
Short-term receivables	**12 115**	**9 256**

Header Accrued expenses relates mainly to the settlement of annual fees under the property tax and perpetual usufruct of land.

6 Inventories

	31/03/2016	31/12/2015
At the beginning of the reporting period	**5 296**	**6 525**
Capital expenditure	4	70
Revaluation of Inventory	(4)	(1 312)
Foreign exchange gains/ (losses)	(4)	13
At the end of the reporting period	**5 292**	**5 296**

7 Cash and cash equivalents

	31/03/2016	31/12/2015
Cash at bank and on hand	14 842	19 209
Cash on escrow account	3 207	3 204
Short term bank deposits	4 085	3 660
	22 134	**26 073**

Restricted cash means the funds transferred as a result of the implementation of the credit agreement with mBank Hipoteczny.

Notes to the interim condensed consolidated financial statements

8 Joint venture

The below table summarizes the carrying amounts of the Group major investments in joint ventures:

	31/03/2016	31/12/2015
Smart City Spółka z ograniczoną odpowiedzialnością sp.k.		
Opening balance as at 1 January	**14 512**	**0**
Group's share in net assets as at the date of starting joint venture		15 472
Group's share of the net profit or loss of the joint ventures presented in theses interim condensed consolidated financial statements	446	(911)
Other adjustments	(16)	(49)
Closing balance	**14 942**	**14 512**

Condensed financial information of individually material joint ventures of the Group is presented in the below table:

	Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	
Financial information coming from statement of financial position		
Total non-current assets, including	**156**	**27**
Fixed assets	156	27
Total current assets, including:	**61 079**	**30 876**
Inventory	43 766	21 091
Trade receivables and other receivables	8 903	8 648
Cash and cash equivalents	8 410	1 137
Total assets	**61 235**	**30 903**
Total current liabilities, including:	**31 285**	**1 874**
Trade payables and other liabilties	31 285	1 874
Total liaabilities	**31 285**	**1 874**
Net assets	**29 950**	**29 029**
% held by the Group	***50%***	***50%***
Group share of net assets of the joint venture	14 975	14 515
Purchase price allocation adjustments	5	22
Consolidated adjustments	(8)	(25)
Carrying amount of investment in joint venture presented in the interim	**14 972**	**14 512**

In the first quarter of 2016, the Group recognized a gain on the joint venture in Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. amounting to PLN 446 thousand.

9 Share capital

	Number of shares		Value of shares	
	31/03/2016	31/12/2015	31/03/2016	31/12/2015
Ordinary shares (in thousands)	32 863	32 863	3 286	3 286

As of the date of theses financial statements share capital amounts to PLN 3.286 thousand. There have been no changes in share capital since the end of the year until the date of these financial statements.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

10 Trade payables and other liabilities

Non-current liabilities

	31/03/2016	31/12/2015
Deposits of tenants	2 044	2 070

Current liabilities

	31/03/2016	31/12/2015
Trade payables	460	1 279
Social securities and other taxes	2 955	372
Deposits of tenants	121	120
Other liabilities	293	322
Accrued expense	15 168	14 619
	18 997	**16 712**

Increase in tax liabilities in comparison to December 31, 2015 is mainly due to the recognition of tax liabilities from real estate, settled on a monthly basis, and liabilities related to perpetual usufruct.

Accruals are consistent with 2014 year end and consist mainly of potential tax exposures.

11 Borrowings, including financial leasing

	31/03/2016	31/12/2015
Non-current		
Bank loans	113 584	112 364
Financial liabilities	725	0
Financial leasing	32 066	32 110
	146 375	**144 474**
Current		
Bank loans	4 945	7 529
Financial liabilities	309	0
	5 254	**7 529**
Total borrowings	**151 629**	**152 003**

As of March 31, 2016 bank credits consist of:
- payable of PLN 41 948 thousand to mBank Hipoteczny S.A. (PLN 1 675 thousand being short-term and PLN 40 273 thousand long-term),
- payable of PLN 76 581 thousand to Bank Zachodni BZ WBK (PLN 3 270 thousand being long-term and PLN 73 311 thousand as short-term).

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Hipoteczny. The above mentioned loan was granted to refinance a loan with HSBC Bank Poland from 2006, which was used to finance the office investments located in Cybernetics 7b and Połczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014. As at balance sheet date Lakia's involvement amounted to EUR 5.534.033, and Robin's - EUR 4.285.405,14. According to the terms and conditions of the loan agreement with mBank Hipoteczny, the companies are obliged to repay the entire loan until June 20, 2029.

The loan was granted on market terms and is secured by, among others, mortgage on investment properties owned by companies Robin Investments Sp. o.o. and Lakia Investments Sp. o.o. and registered pledge on the shares of these companies.

On August 12, 2011 the subsidiary Belise Investments Sp. o.o. entered into with a bank loan agreement with BZ WBK SA to finance or refinance part of the cost of finishing the surface of the office building IRIS. According to the annex to the credit agreement signed in May 2015 deadline for full repayment of the Loan, together with interest and other costs, follows on the date of May 31, 2021.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

11 Borrowings, including financial leasing - cont.

In February 2016 Belise Investments entered into a swap transaction rate IRS, in order to secure the streams of interest payments, for an amount corresponding to 80% of the loan BZ WBK.

The value of hedging derivatives - the IRS as at the balance sheet date was estimated at PLN 1 034 thousand.

Finance lease liabilities relate to the right to perpetual usufruct and are recognized due to the increase in the fair value of investment property for accounting purposes (Note 4).

12 Bonds issued

	31/03/2016	31/12/2015
a/ Bonds serie A		
Nominal value of the convertble bonds issued on Sept 26, 2014	22 966	22 966
Capital part	27 909	27 909
Debt part on the intial recognition date of Sept 26, 2014	**50 875**	**50 875**
Accrued interest	3 563	2 967
Valuation as at balance sheet date	503	472
Valuation of the embedded derivative	(16 840)	(16 274)
Bonds value as at balance sheet date	**38 101**	**38 040**
b/ Bonds serie B		
Nominal value of bonds issued on Jan 13, 2015 r. (*)	29 552	29 552
Accrued interest	3 217	2 633
Paid interest	(2 633)	(1 354)
Valuation using the effective interest rate method	111	84
Bonds value as at balance sheet date	**30 247**	**30 915**

	31/03/2016	31/12/2015
Long-term		
Bonds issued	56 695	56 041
Derevatives	11 069	11 635
Short-term		
Bonds issued - interest	584	1 279
	68 348	**68 955**

(*) The nominal value of bonds issued on 13 January 2015 (PLN 30,000,000) was decreased by the costs of the issue of bonds, which amount to PLN 448,000. The costs of the issue of bonds included the cost of handling the issue of bonds by an investment house, which amounted to PLN 425,000, and the costs of legal services.

On 26 September 2014, the Management Board of the Company passed a resolution on the allocation of Advance I of series A convertible bonds and the Company issued convertible bonds within Advance I. The redemption of bonds within Advance I falls on 26 September 2017. The issue of bonds within Advance I was carried out in the form of a private placement, in accordance with the provisions of Section 9(3) of the Bonds Act, pursuant to Resolution No. 3/IX/2014 of the Issuer's Management Board on the issue of series D bearer bonds within a bond issue program.

The nominal value of one bond is EUR 50,000 (fifty thousand euros). The issuing price of one bond is EUR 50,000. The bonds bear interest according to the fixed interest rate of 10% (ten percent) per year from the Bond Issue Date. The bonds will be purchased by the Company on a day falling 3 years after the Issue Date, i.e. on 27 September 2017 – except in the event of early repurchase in Case of Breach of the terms and conditions of the issue of Bonds by the Issuer.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

12 Bonds issued - cont.

Embedded derivative instrument results from:
a) the right to convert bonds to shares by bond holder at a fixed rate in the period from 26 September 2015 until 5 days before the redemption date, i.e. 22 September 2017;
b) cap currency option concerning the translation of the liability into shares as at the conversion date at the EUR/PLN rate from that day, however not higher than EUR 1 = PLN 4.1272.
The method of valuation of the embedded derivative instrument is described in note 3.

On 13 January 2015, the Company issued 30,000 series B covered bonds ("Bonds") in total. Bonds were issued in accordance with the provisions of Section 9(3) of the Bonds Act, i.e. in the form of a private offer.
The Bonds were issued in accordance with the following terms and conditions:

The issuer did not specify the purpose of the issue within the meaning of the Bonds Act or the undertaking to be financed from the issue of the Bonds.
The issued Bonds are series B covered, bearer bonds with the nominal value of PLN 1,000 each and do not have the form of an instrument.
The total nominal value of all issued bonds is maximum PLN 30,000,000.

The nominal value of one Bond is PLN 1,000. The issuing price of one Bond corresponds to its nominal value, i.e. PLN 1,000.

The Bonds will be repurchased by the Company on the day falling 4 years after the Bonds issue date, i.e. on 13 January 2019 ("Redemption Date") – except in the event of an early repurchase of Bonds in case of a breach of the terms and conditions of the issue of Bonds by the Issuer or on the Issuer's request.

The Bonds bear interest in accordance with the fixed interest rate of 9.1% per year.

If the Issuer does not repurchase the Bonds earlier in case of a breach at the request of the Bond Holder or at the request of the Issuer, the Bonds will be repurchased on the Redemption Date by paying the amount equal to the nominal value of Bonds plus due and unpaid interest on the Bonds.
On 9 February 2015, an agreement on the establishment of a registered pledge on Blaise Investments sp. z o.o.'s shares was concluded by Lakia Enterprises Limited and Matczuk Wieczorek i Wspólnicy Kancelarii Adwokatów i Radców Prawnych sp. j., acting on their own behalf, but for the account of bond holders holding series B bonds.
The registered pledge was established on 100 shares in the share capital of Blaise Investmetns sp. z o.o. with the nominal value of PLN 50 each, constituting 100% of the share capital of this company. The nominal value of the package of 1,000 shares is PLN 50,000.
The registered pledge was established up to the amount of PLN 45,000,000.

13 Deferred income taxes

	31/03/2016	31/12/2015
Deferred tax assets	**458**	**552**
Deferred tax liabilities	**21 138**	**20 906**

14 Revenue by nature

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Rent income	3 331	3 060
Real estate advisory services	101	0
Services relating to rental	1 294	1 612
	4 726	**4 672**

Rent revenues are earned by office properties in Warsaw: Aquarius (Połczynska St.), Solaris and Iris (both Cybernetyki St.). Increase in the first quarterof 2015 as compared to similar prior year period is driven mainly by Iris building, gaining increasing number of tenants over time.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

15 Cost of sales

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Cost of services provided	574	556
	574	**556**

16 Administrative costs property related

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Employee expenses	396	439
Property maintenance	1 023	1 421
Real estate tax	452	986
Perpetual usufruct	221	437
Depreciation and amortization	63	52
	2 155	**3 335**

17 Administrative expenses-other

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Advisory services	1 129	1 951
Audit fees	0	111
Transportation	3	8
Taxes	70	26
Office maintenance	350	392
Other services	66	74
Costs of not deductible VAT	16	113
Impairment write-down in respect of receivables	45	146
	1 679	**2 821**

18 Other income

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Other income	14	705
	14	**705**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

19 Financial income and expenses

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Interest expense:		
- Bank loans	(715)	(1 653)
- Bank facility arrangement fee	0	(112)
- Interest from financial leases	(601)	(612)
- interest on bonds	(1 277)	(1 139)
- Other interest	(36)	(134)
- Other	(43)	(15)
Revaluation of derivatives (IRS)	(1 034)	0
Loss on bonds revaluation	(27)	0
Valuation of amortized cost	(1 906)	0
Financial costs	**(5 639)**	**(3 665)**
Interest income:		
- Bank interest	14	114
- interest on bonds	32	59
- Received dividends	0	0
Profit on a bargain purchase	0	32 048
Profit on bonds revaluation	566	1 872
Other financial income	346	26
Net exchange differences	2 041	4 990
Financial income	**2 999**	**39 109**

20 Income tax

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Deferred taxes	326	(1 687)
	326	**(1 687)**

21 Cash flow from operating activities

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Profit/loss before tax	(1 776)	27 029
Adjustments for:		
- depreciation of tangible fixed assets	62	63
– currency translation adjustments	(212)	(5 721)
- (gains) losses on revaluation to fair value of investment property	(193)	8 901
venture	(446)	0
– interest costs	1 992	2 085
– inventory impairment	4	0
– result on embedded derivatives	(566)	0
- result on bonds revaluation using efective rate method	27	0
- loss on derivatives valuation	725	0
– other adjustments	17	(90)
Changes in working capital		
- changes in receivables	(2 859)	(2 831)
- changes in inventories	(4)	(461)
- change in trade liabilities and other	2 259	5 517
	(970)	**34 492**

Notes to the interim condensed consolidated financial statements

22 Related party transactions

CPD S.A. does not have a direct parent or parent senior. Coöperatieve Laxey Worldwide W.A. is a major investor. CPD Group also includes transactions with key management personnel and other related parties, controlled by key staff of the Group.

These interim condensed consolidated financial statements include the following balances resulting from transactions with related parties:

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
(a) Transactions with key management personnel		
Remuneration of the Management Board members	63	45
Salaries and Cost of services provided by the Management Board members	179	568
Remuneration of the Supervisory Board members	75	60
(b) Transactions with the other related parties		
Revenues		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	102	0
Costs		
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	0	20
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	2	0
Receivables		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	70	18

23 Payment of dividends

During the reporting period CPD did not pay nor declare dividends.

24 Earnings per share

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Profit attributable to the shareholders in the parent company	(2 102)	28 716
Weighted average number of ordinary shares (in '000)	32 863	32 863
Earnings per share	(0,06)	0,87
Diluted profit attributable to shareholders	(2 053)	26 856
Weighted average number of ordinary shares (in '000)	42 654	35 277
Diluted earnings per share	(0,05)	0,76

The issuance of bonds convertible into shares by CPD contributed to the dilution of profit. The amount of adjustment of the result was affected by the amount of interest (PLN 596 thousand), valuation of bonds as at the balance sheet date (PLN 31 thousand) and the valuation of the embedded derivative instrument (PLN -566 180 thousand). These amounts will be reduced by the income tax to be paid in the future.

The weighted average number of shares was adjusted due to the possible exercise of right to convert bonds convertible into shares (not more than 9,791,360 shares). The weighted average number of shares amounted to 42,654 thousand.

Notes to the interim condensed consolidated financial statements

25 Contingent liabilities

In the first quarter of 2016 there were no significant changes in contingent liabilities.

26 Segment reporting

In accordance with a definition in IFRS 8, the CPD Group represents one operating segment and is recognized by the Management Board as such.

Therefore, both revenue and profit segment are equal revenue and profits of the group mentioned in the report of the CPD total revenue.

27 Seasons of activity and unusual events

The activity of the Group of the CPD is not seasonal or cyclical.

28 Events after the end of the reporting period

On April 19, 2016 partners of 14/119 Gaston Investments Limited Liability Company sp. K. (a subsidiary of the Company) with its seat in Warsaw (address: 02-677 Warsaw, Cybernetyki 7B Str., KRS 0000352125, REGON 142352826, NIP 5252476472) adopted a resolution on the repeal of liquidation and continued existence 14/119 Gaston Investments limited liability company sp. k.

On April 27, 2016 Extraordinary General Meeting of Celtic Asset Management Sp. z o.o. in liquidation (subsidiary of the Company) with its seat in Warsaw (address: 02-677 Warsaw, Cybernetyki 7B Str, KRS 0000246186, REGON 140328249, NIP 5272491753) adopted the resolution on the repeal of liquidation and continued existence of the Celtic Asset Management sp. z o.o.

There were no other significant post balance sheet events.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

29 Interim financial information of the parent

29.1 Condensed statement of comprehensive income

	Notes	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
		(unaudited)	*(unaudited)*
Revenues		93	134
Administrative costs	29.14	(427)	(925)
Cost of sales		(6)	(37)
Interest income on loans		3 747	4 050
OPERATING RESULT		**3 407**	**3 222**
Financial income	29.15	605	3 033
Financial costs	29.15	(1 396)	(1 209)
PROFIT (LOSS) BEFORE INCOME TAX		**2 616**	**5 046**
Income tax		0	0
PROFIT (LOSS) FOR THE PERIOD		**2 616**	**5 046**
BASIC EARNINGS PER SHARE		0,08	0,15
DILUTED EARNINGS PER SHARE		0,06	0,09

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

29.2 Condensed statement of financial position

ASSETS	Notes	31/03/2016	31/12/2015
Non-current assets			
Property, plant and equipment		3	3
Intangible assets, excluding goodwill		3	4
Long-term receivables	29.7	524 918	521 160
Shares in subsidiaries	29.5	0	0
Bonds		0	0
		524 924	**521 167**
Current assets			
including:	29.8	1 342	1 067
- receivables and loans		*1 287*	*1 063*
- prepayments		*55*	*4*
Bonds		*3 702*	3 670
Cash and cash equivalents		5 380	8 115
		10 424	**12 852**
Total assets		**535 348**	**534 019**
EQUITY			
Share capital	28.10	3 286	3 286
Other Reserves		987	987
Embedded element at inception date		(27 909)	(27 909)
Share premium		796 643	796 643
Retained earnings		(321 060)	(323 675)
Total equity		**451 947**	**449 332**
LIABILITIES			
Non-current liabilities			
Bonds issued	28.13	56 695	56 041
Derevatives	28.13	11 069	11 635
Borrowings, including financial leasing	28.11	12 891	12 909
		80 655	**80 585**
Current liabilities			
Bonds issued	28.13	584	1 279
Trade payables and other liabilities		2 161	2 823
		2 745	**4 102**
Total liabilities		**535 348**	**534 018**

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Chairman of the Board

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Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

29.3 Condensed statement of changes in equity

	Notes	Share capital	Embedded element at inception date	Supplementary capital	Reserve capital	Retained earnings	Total
Balance as at 1/1/2015		**3 286**	**(27 909)**	**796 643**	**987**	**(371 861)**	**401 146**
Comprehensive income							
Previous year income correction						(18)	(18)
Profit (loss) for the period		0	0	0	0	5 046	5 046
		0	0	0	0	5 028	5 028
Balance as at 31/3/2015 /unaudited		**3 286**	**(27 909)**	**796 643**	**987**	**(366 833)**	**406 174**
Balance as at 1/1/2015		**3 286**	**(27 909)**	**796 643**	**987**	**(371 861)**	**401 146**
Comprehensive income							
Profit (loss) for the period		0	0	0	0	48 186	48 186
		0	0	0	0	48 186	48 186
Balance as at 31/12/2015		**3 286**	**(27 909)**	**796 643**	**987**	**(323 675)**	**449 332**
Balance as at 1/01/2016		**3 286**	**(27 909)**	**796 643**	**987**	**(323 675)**	**449 332**
Comprehensive income							
Profit (loss) for the period				0	0	2 616	2 616
		0	0	0	0	2 616	2 616
Balance as at 31/3/2016 /unaudited		**3 286**	**(27 909)**	**796 643**	**987**	**(321 060)**	**451 947**

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

29.4 Condensed statement of cash flows

	Note	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
		(unaudited)	*(unaudited)*
Cash flow from operating activities			
Cash generated from operations	29.17	(1 228)	(1 014)
Interest paid		(1 296)	0
Zapłacony podatek dochodowy			
Net cash generated from investing activities		**(2 524)**	**(1 014)**
Cash flows from investing activities			
Loans		(849)	(37 520)
Loan repayments received		630	8 854
Interest received		78	32
Net cash used in investing activities		**(141)**	**(28 634)**
Cash flows from financing activities			
Repayment of loans		(70)	0
Proceeds from issue of bonds		0	30 000
Net cash used in financing activities		**(70)**	**30 000**
Net (decrease)/increase in cash and cash equivalents		**(2 735)**	**352**
Cash and cash equivalents at beginning of year		**8 115**	**12 071**
Cash and cash equivalents at the end of the period		**5 380**	**12 423**

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Chairman of the Board

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Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

29.5 Shares in subsidiaries

Nazwa	Country	Share	31/03/2016	31/12/2015
Buffy Holdings No1 Ltd	Cypr	100%	184 000	184 000
Impairment, the value of the shares Buffy Holdings			(184 000)	(184 000)
Celtic Investments Ltd	Cypr	100%	48 000	48 000
Impairment, the value of the shares Celtic Investments			(48 000)	(48 000)
Lakia Enterprises Ltd	Cypr	100%	105 000	105 000
Impairment, the value of the shares Lakia Enterprises Ltd			(105 000)	(105 000)
			0	**0**

29.6 Bonds

On March 18, 2013. the company acquired bonds issued by the company Bolzanus Limited registered in in Cyprus (bonds - 3 mln zł., interest on March 31, 2016 - 702 ths. zł.). Bond interest rate is 8% per annum. Maturity date falls on day 17 February 2016.

29.7 Long-term receivables

	31/03/2016	31/12/2015
Long-term loans with related parties, including:		
- loans	485 287	484 750
- interest	83 620	80 074
Impairment	(43 989)	(43 664)
	524 918	**521 160**

Details of the loans granted to related parties

Related party		Principal amount	Accrued interest	The Interest Rate	Margin	Maturity
2/124 Gaston Investments	PLN	3 089	424	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	PLN	2 900	374	3M WIBOR	1,55%	on demand
4/113 Gaston Investments	PLN	6 001	1 084	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	PLN	4 068	450	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	PLN	2 491	361	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	PLN	1 678	241	3M WIBOR	1,55%	on demand
8/126 Gaston Investments	PLN	5 315	651	3M WIBOR	1,55%	on demand
9/151 Gaston Investments	PLN	1 122	158	3M WIBOR	1,55%	on demand
10/165 Gaston Investments	PLN	2 007	193	3M WIBOR	1,55%	on demand
11/162 Gaston Investments	PLN	1 292	162	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	3 530	481	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	PLN	3 416	437	3M WIBOR	1,55%	on demand
15/167 Gaston Investments	PLN	1 934	205	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	PLN	502	83	3M WIBOR	1,55%	on demand
18 Gaston Investments	PLN	3 316	358	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	PLN	548	83	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	PLN	624	98	3M WIBOR	1,55%	on demand
Antigo Investments	PLN	5 106	116	3M WIBOR	1,55%	on demand
Impairment		(1 077)	*(74)*			
Blaise Gaston Investments	PLN	6 342	795	3M WIBOR	1,55%	on demand
Blaise Investments	PLN	24 125	5 167	3M WIBOR	1,55%	on demand
Belise Investments	PLN	12 960	4 829	3M WIBOR	1,55%	on demand

(All amounts in PLN thousands unless otherwise stated)

29.7 Long-term receivables

Buffy Holdings No 1 Ltd	PLN	161 850	33 908	3M WIBOR	0,75%	on demand
Impairment	PLN	*0*	*(30 652)*			on demand
Celtic Asset Management	PLN	40	1	3M WIBOR	1,55%	on demand
Impairment		(3)	0			
Celtic Investments Ltd	EUR	1 819	50	3M LIBOR	0,75%	on demand
Impairment		(1 746)	(47)			
Challange 18	PLN	160 886	25 133	3M WIBOR	1,55%	on demand
Smart City Sp. z o.o.	PLN	4	0	3M WIBOR	1,55%	on demand
Impairment		(4)	0			
Elara Investments	PLN	2 835	57	3M WIBOR	1,55%	on demand
Impairment		*(2 240)*	*(34)*			on demand
Gaston Investments	PLN	7 799	65	3M WIBOR	1,55%	on demand
Impairment	PLN	*(2 848)*	*(1)*			
HUB Developments	PLN	2 423	146	3M WIBOR	1,55%	on demand
Impairment		(375)	*(126)*		1,55%	on demand
Lakia Enterprises Limited	PLN	50 996	7 415	3M WIBOR	1,55%	on demand
Impairment		*0*	*(4 436)*			
IMES		*3 943*	*99*	3M WIBOR	1,55%	26.03.2020
		476 668	**48 250**			

In accordance with the intention of the Board the loans will be repaid over a period of from 3 to 5 years. The maximum value of the credit risk associated with the loans and trading duties is equal to their carrying amount. Loans are not secured.

29.8 Trade receivables and other receivables

	31/03/2016	31/12/2015
Trade receivables from related parties	0	60
Short-term loans with related parties, including:	141	0
- loans	16 027	16 017
- interest	4 594	4 463
- impairment	(20 480)	(20 480)
Surplus of input VAT over output	101	45
Other receivables from related parties	968	942
Other receivables from other parties	76	16
Prepayments	55	4
Other receivables	1	0
Short-term receivables	**1 342**	**1 067**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

Details of the loans granted to related parties

Related party		Principal amount	Accrued interest	The Interest Rate	Margin	Maturity
Mandy Investments	PLN	16 027	4 594	3M WIBOR	1,55%	on demand
Impairment		*(16 017)*	(4 463)			

29.9 Deferred income tax

Deferred tax liabilities

As at January 1, 2015	**18 366**
Accrued interest on loans	(2 378)
Accrued interest on bonds	127
Exchange differences	9
As at December 31, 2015 - before compensation	**16 124**
Compensation of the deferred tax asset	(16 124)
As at December 31, 2015 - after compensation	**0**
Accrued interest on loans	562
Accrued interest on bonds	133
Exchange differences	10
As at March 31, 2016 - before compensation	**16 829**
Compensation of the deferred tax asset	(16 829)
As at March 31, 2016 - after compensation	**0**

Deferred tax assets

As at January 1, 2015	**18 366**
Impairment of loans	(3 562)
Accrued interest on loans	383
Reserves for costs	24
Holiday provision	13
Accrued interest on bonds	816
Exchange differences	84
As at December 31, 2015 - before compensation	**16 124**
Compensation of deferred tax provision	(16 124)
As at December 31, 2015 - after compensation	**0**
Impairment of loans	(584)
Accrued interest on loans	393
Accrued interest on bonds	795
Exchange differences	91
Holiday provision	10
As at March 31, 2016 - before compensation	**16 829**
Compensation of deferred tax provision	(16 829)
As at March 31, 2016 - after compensation	**0**

Notes to the interim condensed consolidated financial statements

29.10 Share capital

	The number of shares		Value of the shares	
	31/03/2016	31/12/2015	31/03/2016	31/12/2015
Ordinary shares (in thousands)	32 863	34 833	3 286	3 483

As of the date of theses financial statements share capital amounts to PLN 3.286 thousand. There have been no changes in share capital since the end of the year until the date of these financial statements.

29.11 Borrowings, including financial leasing

	31/03/2016	31/12/2015
Loans from related parties	12 891	12 909
	12 891	**12 909**

Liability for loans at 31 March 2016 relates to a loan from a subsidiary of Lakia Enterprises (including the principal amount of 7.666 ths. PLN, the amount of accrued interest of 1,871 ths.PLN) and to a loan from a subsidiary of Lakia Investments (including the principal amount of PLN 3.159 ths. PLN, the amount of accrued interest of 195 ths. PLN). Interest on the loan received from Lakia Enterprises is equal to Wibor 3M + 0.50% margin, interest on the loan received from Lakia Investments is equal to Wibor 3M + 1.55% margin. The loan is

The loans are not secured.

29.12 Earnings per share

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Profit attributable to the shareholders in the parent company	2 616	5 046
Weighted average number of ordinary shares (in '000)	32 863	32 863
Earnings per share	0,08	0,15
Diluted profit attributable to shareholders	2 666	3 186
Weighted average number of ordinary shares (in '000)	42 654	35 277
Diluted earnings per share	0,06	0,09

The issuance of bonds convertible into shares by CPD contributed to the dilution of profit. The amount of adjustment of the result was affected by the amount of interest (PLN 596 thousand), valuation of bonds as at the balance sheet date (PLN 31 thousand) and the valuation of the embedded derivative instrument (PLN -566 thousand). These amounts will be reduced by the income tax to be paid in the future.

The weighted average number of shares was adjusted due to the possible exercise of right to convert bonds convertible into shares (not more than 9,791,360 shares). The weighted average number of shares amounted to 42,654 thousand.

(All amounts in PLN thousands unless otherwise stated)

29.13 Bonds issued

	31/03/2016	31/12/2015
a/ Bonds serie A		
Nominal value of the convertble bonds issued on Sept 26, 2014	22 966	22 966
Capital part	27 909	27 909
Debt part on the intial recognition date of Sept 26, 2014	**50 875**	**50 875**
Accrued interest	3 563	2 967
Valuation as at balance sheet date	503	472
Valuation of the embedded derivative	(16 840)	(16 274)
Bonds value as at balance sheet date	**38 101**	**38 040**

Bondholder	31/03/2016	31/12/2015
Laxey Investors Limited	0	0
The Weyerhaeuser Company Master Retirement Trust	1	1
LP Alternative LP by Laxey Partners (GP3) as General Partner	7	7
Laxey Partners Ltd	1	1
LP Value Ltd	7	7
Laxey Universal Value LP By Laxey Partners (GP2) as General Partner	1	1
The Value Catalyst Fund Limited	13	13
QVT Fund LP	17	17
Quintessence Fund LP	3	3
Lars E Bader	7	7
Co-op	33	33
Furseka	17	17
Broadmeadow	3	3

On 26 September 2014, the Management Board of the Company passed a resolution on the allocation of Advance I of series A convertible bonds and the Company issued convertible bonds within Advance I. The redemption of bonds within Advance I falls on 26 September 2017. The issue of bonds within Advance I was carried out in the form of a private placement, in accordance with the provisions of Section 9(3) of the Bonds Act, pursuant to Resolution No. 3/IX/2014 of the Issuer's Management Board on the issue of series D bearer bonds within a bond issue program.

The nominal value of one bond is EUR 50,000 (fifty thousand euros). The issuing price of one bond is EUR 50,000. The bonds bear interest according to the fixed interest rate of 10% (ten percent) per year from the Bond Issue Date. The bonds will be purchased by the Company on a day falling 3 years after the Issue Date, i.e. on 27 September 2017 – except in the event of early repurchase in Case of Breach of the terms and conditions of the issue of Bonds by the Issuer.

Embedded derivative instrument results from:
a) the right to convert bonds to shares by bond holder at a fixed rate in the period from 26 September 2015 until 5 days before the redemption date, i.e. 22 September 2017;
b) cap currency option concerning the translation of the liability into shares as at the conversion date at the EUR/PLN rate from that day, however not higher than EUR 1 = PLN 4.1272.
The method of valuation of the embedded derivative instrument is described in note 3.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

29.13 Bonds issued - cd

b/ Bonds serie B	31/03/2016	31/12/2015
Nominal value of bonds issued on Jan 13, 2015 r.	29 552	29 552
Accrued interest	3 217	2 633
Paid interest	(2 633)	(1 354)
Valuation using the effective interest rate method	111	84
Bonds value as at balance sheet date	**30 247**	**30 915**

On 13 January 2015, the Company issued 30,000 series B covered bonds ("Bonds") in total. Bonds were issued in accordance with the provisions of Section 9(3) of the Bonds Act, i.e. in the form of a private offer.
The Bonds were issued in accordance with the following terms and conditions:

The issuer did not specify the purpose of the issue within the meaning of the Bonds Act or the undertaking to be financed from the issue of the Bonds.
The issued Bonds are series B covered, bearer bonds with the nominal value of PLN 1,000 each and do not have the form of an instrument.
The total nominal value of all issued bonds is maximum PLN 30,000,000.

The nominal value of one Bond is PLN 1,000. The issuing price of one Bond corresponds to its nominal value, i.e. PLN 1,000.

The Bonds will be repurchased by the Company on the day falling 4 years after the Bonds issue date, i.e. on 13 January 2019 ("Redemption Date") – except in the event of an early repurchase of Bonds in case of a breach of the terms and conditions of the issue of Bonds by the Issuer or on the Issuer's request.

The Bonds bear interest in accordance with the fixed interest rate of 9.1% per year.
If the Issuer does not repurchase the Bonds earlier in case of a breach at the request of the Bond Holder or at the request of the Issuer, the Bonds will be repurchased on the Redemption Date by paying the amount equal to the nominal value of Bonds plus due and unpaid interest on the Bonds.
On 9 February 2015, an agreement on the establishment of a registered pledge on Blaise Investments sp. z o.o.'s shares was concluded by Lakia Enterprises Limited and Matczuk Wieczorek i Wspólnicy Kancelarii Adwokatów i Radców Prawnych sp. j., acting on their own behalf, but for the account of bond holders holding series B bonds.
The registered pledge was established on 100 shares in the share capital of Blaise Investmetns sp. z o.o. with the nominal value of PLN 50 each, constituting 100% of the share capital of this company. The nominal value of the package of 1,000 shares is PLN 50,000.
The registered pledge was established up to the amount of PLN 45,000,000.

29.14 Administrative costs

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Advisory services	39	518
Salaries	268	240
Auditor's remuneration	0	1
Costs of not deductible VAT	1	70
Other services	119	96
	427	**925**

(All amounts in PLN thousands unless otherwise stated)

In the group of administrative costs in the first quarter of 2016, the Company recorded a decrease in the cost of advisory services in relation to the same period of 2015 in the amount of 485 thousand PLN. Reducing the costs of advisory services is a consequence of cost optimization.

29.15 Financial income and expenses

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Interest income:		
-Interest from unrelated parties	32	59
- Bank interest	7	23
Other financial income	0	0
Profit on bonds revaluation	566	1 872
Net exchange differences	0	1 079
Financial income	**605**	**3 033**
Interest costs:		
-Interest from related parties	68	78
-Interest from unrelated parties	1 277	1 139
Net exchange differences	23	0
Other financial costs	28	(8)
Financial costs	**1 396**	**1 209**

29.16 Cash flow from operating activities

	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Profit/loss before tax	2 616	5 046
Adjustments for:		
– exchange differences	(505)	(2 774)
– depreciation	1	3
– interest costs	1 243	1 183
– interest income	(3 787)	(4 132)
– changes in receivables	(134)	(264)
– - change in trade liabilities and other	(662)	(76)
	(1 228)	**(1 014)**

29.17 Related party transactions

CPD SA does not have a direct parent or parent senior. Coöperatieve Laxey Worldwide W.A. is a major investor.

The CPD also makes transactions with key management staff, subsidiaries and other affiliated, controlled by key staff of the CPD Group.

These financial statements contain the following balances resulting from transactions with related parties:

a)Transactions with key management personnel	01/01/2016 - 31/03/2016	01/01/2015 - 31/03/2015
Remuneration of members of the Supervisory Board	75	60
Remuneration of members of the Board of Directors	60	45
b) Transactions with major investor		
Laxey - loan	326	312
Laxey - impairment on loan	(326)	(312)

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

29.17 Related party transactions - cont.

c) Transactions with subsidiaries

Revenues		
2/124 Gaston Investments	25	24
3/93 Gaston Investments	24	20
4/113 Gaston Investments	49	47
5/92 Gaston Investments	33	26
6/150 Gaston Investments	20	19
7/120 Gaston Investments	14	12
8/126 Gaston Investments	43	37
9/151 Gaston Investments	9	8
10/165 Gaston Investments	16	11
11/162 Gaston Investments	11	9
12/132 Gaston Investments	29	26
13/155 Gaston Investments	28	25
15/167 Gaston Investments	16	14
16/88 Gaston Investments	4	3
18 Gaston Investments	27	25
19/97 Gaston Investments	4	4
20/140 Gaston Investments	5	5
Antigo Investments	41	43
Blaise Gaston Investments	52	40
Blaise Investments	197	224
Belise Investments	106	291
Buffy Holdings No1 Ltd	997	1 088
Celtic Investments Ltd	3	3
Challange 18	1 313	1 481
Elara Investments	23	29
Gaston Investments	64	78
Hub Developments	20	21
IMES	29	1
Lakia Enterprises Ltd	415	294
Mandy investments	130	142
Costs		
Lakia Enterprises Ltd	42	50
Lakia Investments	26	28
Liabilities		
Lakia Enterprises Ltd	9 537	9 596
Lakia Investments	3 354	3 251
Receivables		
Smart City Sp.k.	0	20
2/124 Gaston Investments	3 513	3 183
3/93 Gaston Investments	3 274	2 784
4/113 Gaston Investments	7 085	6 291
5/92 Gaston Investments	4 518	3 424
6/150 Gaston Investments	2 852	2 570
7/120 Gaston Investments	1 919	1 650
8/126 Gaston Investments	5 966	4 793

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

29.17 Related party transactions - cont.

9/151 Gaston Investments	1 280	1 061
10/165 Gaston Investments	2 200	1 404
11/162 Gaston Investments	1 454	1 235
12/132 Gaston Investments	4 011	3 480
13/155 Gaston Investments	3 853	3 271
15/167 Gaston Investments	2 139	1 805
16/88 Gaston Investments	585	469
18 Gaston Investments	3 674	3 249
19/97 Gaston Investments	631	544
20/140 Gaston Investments	722	613
Antigo investments	5 222	5 297
Impairment	(1 151)	(263)
Blaise Gaston Investments	7 137	5 620
Blaise Investments	29 292	29 855
Belise Investments	17 789	40 072
Impairment	0	(6 238)
Buffy Holdings No1 Ltd	195 758	190 516
Impairment	(30 652)	(59 213)
Celtic Asset Management	41	8
Impairment	(3)	0
Celtic Investments Ltd	1 869	1 724
Impairment	(1 793)	(1 632)
Challange 18	186 019	192 971
Smart City sp.z o.o.	4	4
Impairment	(4)	0
Elara Investments	2 892	3 315
Impairment	(2 274)	(2 887)
Gaston Investments	7 864	10 583
Impairment	(2 849)	(3 879)
Hub Developments	2 569	2 587
Impairment	(501)	(110)
Lakia Enterprises Ltd	58 411	38 779
Impairment	(4 436)	(15 233)
Mandy investments	20 621	20 494
Impairment	(20 480)	(20 328)
IMES	4 042	2 264

d)Transactions with other related party

Costs		
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	0	20